



west kootenay power



annual report 1982

WEST KOOTENAY POWER AND LIGHT COMPANY, LIMITED



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About the Company

West Kootenay Power and Light Company, Limited is an investor-owned utility supplying electric service in the Southern interior of British Columbia (see map on inside back cover). The Company was incorporated by Special Act of the Legislature of British Columbia on May 8, 1897 with the primary purpose initially being to supply the power requirements of the mining operations in the Trail/Rossland area. With the development of a number of mines to the west of Rossland in the early 1900s, the Company extended its transmission system to supply these loads. Over the years West Kootenay Power has continued to extend and upgrade its facilities in order to supply the increasing utility loads within its service area.

Regulation

The operations of West Kootenay Power and Light Company, Limited are subject to regulation under the Utilities Commission Act of the Province of British Columbia. This Act establishes the areas of regulation and the manner in which it is to be effected, and is administered by the British Columbia Utilities Commission, a provincially-appointed body.

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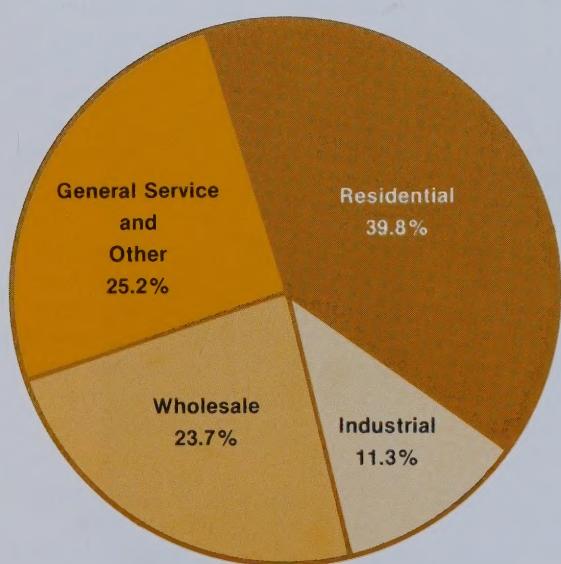
Cover Photo

No. 4 Generating Plant at Corra Linn on the Kootenay River is one of three plants purchased in 1982 from Cominco Ltd. The others (Nos. 2 and 3) are located approximately 2 km and 5 km downstream from No. 4, at Upper Bonnington and at South Slocan. The No. 4 Plant dam provides required water storage in Kootenay Lake for the downstream generating plants.

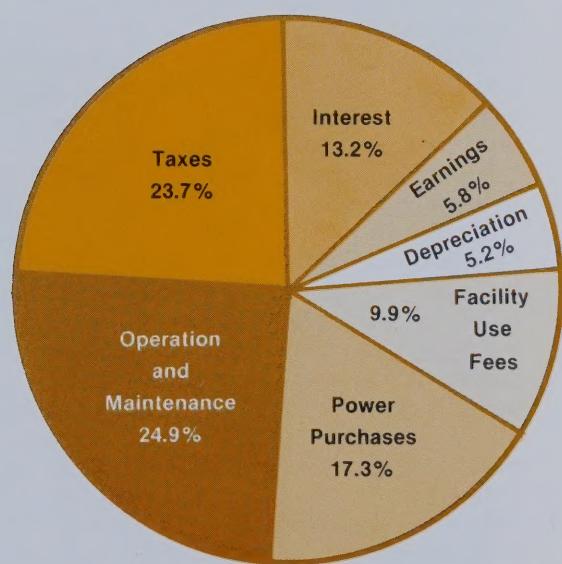
Highlights

	<u>1982</u>	<u>1981</u>	<u>% Increase</u>
Operating revenue (thousands)	\$ 51,598	\$ 37,800	36.5
Net earnings (thousands)	\$ 3,020	\$ 1,634	84.8
Return on common share equity	18.2%	12.0%	51.7
Capital expenditures (thousands)	\$ 29,246	\$ 11,762	148.6
Gross investment in plant (thousands)	\$131,914	\$101,752	29.6
Customers — direct and indirect	94,600	91,900	2.9
Total sales — millions of KWH	1,938	1,838	5.5

SOURCES OF REVENUE
1982



APPLICATION OF REVENUE
1982





Directors' Report to the Shareholders

The year 1982 was marked by major accomplishments for the Company, including improved earnings and a satisfactory resolution of many of the regulatory problems that have been of concern to the Company over the past number of years. Net earnings were \$3.0 million yielding a return on average common share equity of 18.2% as compared to \$1.6 million and a return on common share equity of 12.0% for 1981. With the improved earnings and resolution of the regulatory matters explained below, the payment of dividends on common shares was resumed, with a distribution of \$1,565,900 being made. The regular 7% dividend of \$35,000 was paid on the preferred shares.

The application made by the Company in June 1981 for a Certificate of Public Convenience and Necessity to purchase three of Cominco Ltd.'s power plants (Upper Bonnington, South Slocan and Corra Linn) was granted by the British Columbia Utilities Commission and the transfer of ownership took place on December 15, 1982. These plants were previously being used by West Kootenay Power under a long-term agreement with Cominco Ltd. The purchase price was \$20 million, but pursuant to an Order of the Provincial Minister of Energy, Mines and Petroleum Resources, the method of settlement was changed from the proposed issue of a \$20 million 16% Subordinated Sinking Fund Debenture to the issue of 200,000 of the Company's \$100 par value common shares. This had the beneficial effect of significantly increasing the Company's common share equity which will facilitate the issue of required long term debt securities. The purchase of these three power plants increased the Company's generating base from 41 to 201 megawatts.

The Order of the Minister also granted an exemption to Cominco Ltd. from certain provisions of the Utilities Commission Act. This exemption enables Cominco Ltd. to sell its surplus power to the Company without becoming subject to regulation. Pursuant to the Minister's Order, the Company's power purchase agreement with Cominco Ltd. was amended by extending to West Kootenay Power the right to purchase up to 75 average annual megawatts from Cominco Ltd. until December 31, 1990. In addition and until September 30, 2005, the Company has a right to elect to

purchase, for re-sale in its distribution area, all additional surplus energy generated by Cominco which is not required in Cominco's operations. The power purchase agreement, as amended, will therefore provide the Company with an assured additional source of power at a continuing favourable rate.

On August 25, 1982 the B.C. Utilities Commission confirmed as permanent, the interim rate increases previously granted, and also approved a further increase of 1.2% effective September 1, 1982.

With the resolution of many of our long outstanding regulatory problems, we look forward to 1983 with the knowledge that the uncertainties of the past have been removed. Our first major task will be to arrange for the conversion of the Company's short term bank borrowings to long term fixed rate financing. Arrangements to issue \$35 million of new debentures are expected to be finalized during the first quarter of 1983.

In order to permit the Company to arrange its required refinancing under the most advantageous terms, the Company's earnings must be maintained at an acceptable level. To provide for expected cost increases in 1983, the Company made application to the B.C. Utilities Commission on November 15, 1982 for an increase in rates of 9.8%, effective January 1, 1983. This was subsequently amended to 8.7%, effective February 1, 1983. A public hearing on the application was held in Rossland, B.C. in January 1983 and the Company is awaiting the Decision of the Commission.

The marked slowdown in the economy within the Company's service area during 1982 has resulted in a significant reduction in business activity. As a direct consequence, crew strength has of necessity been reduced and other cost saving measures and programs to improve productivity have been implemented.

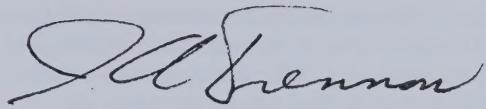
In April 1982, Mr. P. A. Manson resigned from the Board. The Company is indebted to Mr. Manson for his valued guidance and assistance, and particularly for his significant contributions with respect to regulatory matters.

Two senior management appointments were made during the year. Mr. J. S. McKay was appointed Senior Vice-President, Operations and Mr. J. S. Brook was appointed Vice-President, Finance.

On behalf of the Directors, I wish to express sincere appreciation and thanks to the Company's employees for their continued support and valued contributions to the Company during the year.

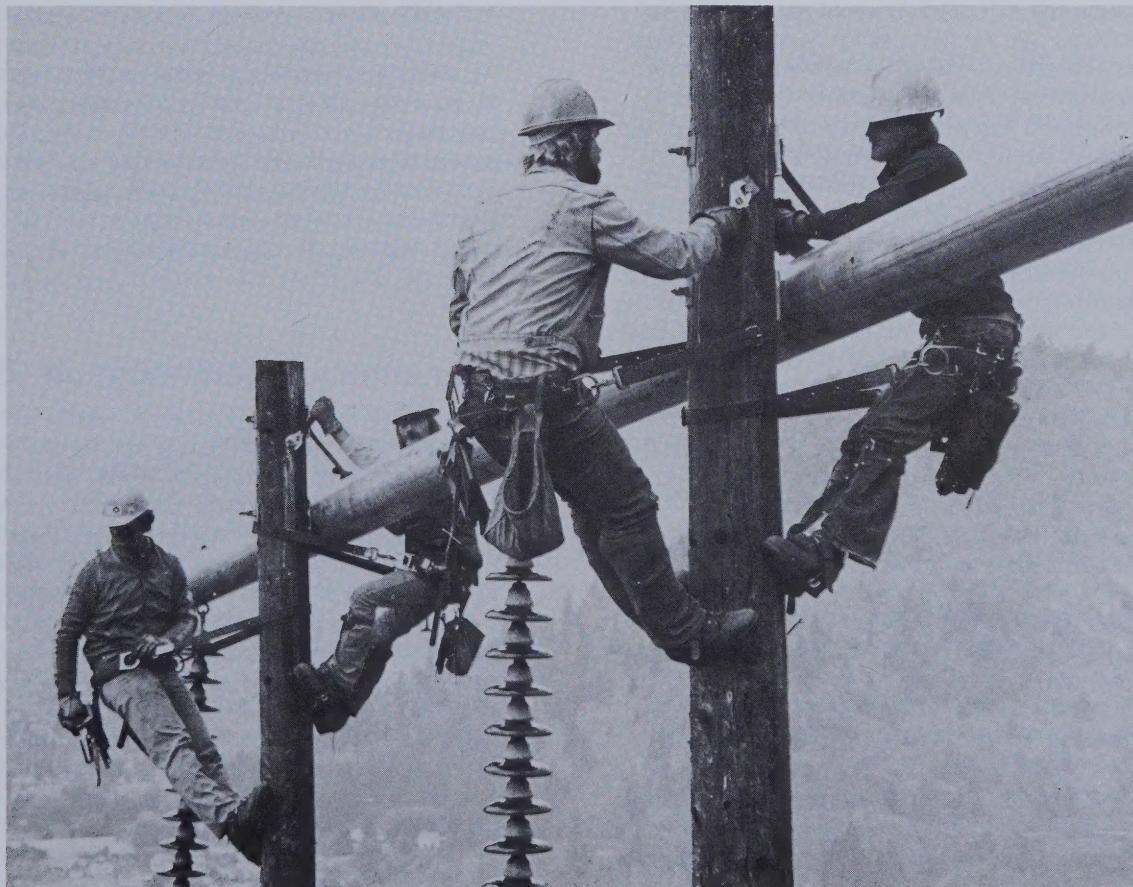
This annual report together with the following

Operating and Financial Reports and the audited financial statements for 1982 are submitted on behalf of the Board of Directors.



J. A. Drennan
President & Chief Executive Officer

February 10, 1983



Replacing wood cross arms with aluminum arms on the Trail to Oliver 170 kilovolt line.



Operating Report

SALES

In spite of the depressed economic conditions, energy sales in the year increased 5.5% over 1981 to a total of 1,938 million kilowatt-hours. The changes in consumption by class of customer are indicated in the following table:

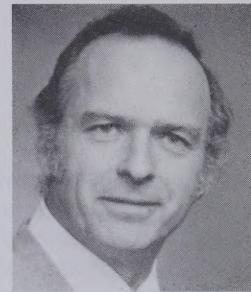
	Increase in Consumption	
	Million KWH	%
Residential	41.3	6.1
Industrial	23.3	9.5
Wholesale	24.6	4.0
General Service & Other	11.4	3.6
Increase	100.6	5.5

Consumption by residential customers is significantly affected by weather and the increased use by this sector is due to a great extent to a return in 1982 to average winter temperatures from the warmer weather experienced the previous winter. Although the industrial sector results would appear to indicate an encouraging growth rate, a significant portion of the increase resulted from the suspension of operation by one customer of his co-generation facilities which he found uneconomic to operate. After adjusting for this load, the increase in the industrial sector sales was 4.6% and the total for all customer classes was 4.8%. The forest industry, which accounts for approximately 80% of the Company's industrial sales, was seriously affected by the downturn in the economy during 1982 with most of the smaller lumber operations either recording decreased consumption or closing their operations entirely.

The Company's distribution facilities were extended to 1,900 new premises in 1982 which represents a decrease of 40% in this activity compared to 1981. A total of 59,100 direct customers were being served at year end.

Residential electric heat customers increased by 1,100 for a total 16,000 served directly. This increase, which includes both new residences and conversion of existing heating systems, is less than has been experienced in recent years. The Canada Oil Substitution Program in our

J. S. McKay
Senior Vice-President, Operations



service area encourages conversion to natural gas where it is available and this is considered to be the main reason for the change.

The number of customers served through the facilities owned by West Kootenay Power's wholesale customers increased by 700 in 1982 to a total of 35,500.

ENERGY RESOURCE

The Company's power requirements were supplied from its four hydro plants located on the Kootenay River between Nelson and Castlegar, B.C., and through purchases from Cominco Ltd. and B.C. Hydro and Power Authority.

As explained in other accompanying reports, three of the Company's hydro plants were purchased in 1982 from Cominco Ltd. These plants together with the Company's Lower Bonnington plant supplied 69% of the Company's energy requirements with 28% being supplied through purchases from Cominco Ltd. and 3% from B.C. Hydro.

OPERATION AND CONSTRUCTION ACTIVITY

Early in the year, the Company found it necessary to take specific steps to reduce its level of activity, particularly in the area of capital spending. Several factors combined to make this necessary: the deepening decline in the economic situation with resultant reduced number of new customers; the high interest rates coupled with reduced availability of capital funds to the Company; and the uncertainty prevailing at the time related to unresolved regulatory matters. By year end, although the latter factor had been resolved and interest rates had declined significantly, the economy had worsened and indications were that it would be a slow, protracted recovery.

As a result of a critical review of our planned expansion program, only those projects which could not reasonably be postponed were carried

out. Reductions were also made to our maintenance program where these would not jeopardize service, and action was taken to control inventory levels more closely. Other cost reducing measures, such as the introduction of bi-monthly billing of customers, were implemented in 1982.

Expenditures on property, plant and equipment in 1982, inclusive of the \$20 million purchase of the three power plants from Cominco Ltd., were \$29.2 million (\$11.8 million in 1981). Of this amount \$4.8 million was required to provide service to new customers and to sustain existing transmission and distribution facilities. Major capital projects completed during the year included: the extension of the R. G. Anderson Terminal Station in Penticton; construction of the Okanagan Mission 132 kilovolt Substation in Kelowna; and the commissioning of a new 132 kilovolt mobile transformer for the Kelowna area. In addition, the capacity of several other substations was increased to provide for load growth. Distribution line extensions totalling 92.3 km were constructed in 1982, of which 7.7 km were underground.

FUTURE DEVELOPMENT

Capital expenditures of \$14 million are anticipated in 1983 reflecting continued restraint in the Company's construction program. Only those projects which are considered to be absolutely necessary are included in the Company's construction plan for 1983. The plan includes: the conversion of the Recreation Avenue Substation in Kelowna to 132 kilovolt; the extension of distribution facilities to supply new customers and necessary upgrading of the distribution system; and the initial phase of a new 230 kilovolt transmission line between Kelowna and Penticton.

The timing of and need for increased facilities are contingent upon increased load and customer growth. Several significant factors will impact on the Company situation. The economy within our service area is related to: the health

of the forest industry; the viability of the mining and smelting industry around Trail; the health of the fruit industry in the Okanagan and Creston areas; and the continued attraction of the area for tourists and for retirement. The first two factors are expected to result in a lower level of activity and growth in the near term relative to the past. The others can be expected to remain stable. Expectations, therefore, are for reduced growth rates.

Comprehensive studies are being carried out on all reasonable resource alternatives with the view to determining the most economic means of supplying the Company's future loads.

PERSONNEL

There were 368 employees at the end of the year compared to 403 at December 31, 1981. The decrease was the result of reductions to the capital spending program, a reduced maintenance program and the introduction of a bi-monthly system of billing for the residential and those general service customers with no demand billing. In previous years, the Company has employed approximately 50 students during summer months to provide vacation relief and to carry out maintenance work best done at that time of the year. This program was cancelled in 1982 as part of the effort towards reducing costs.

The collective agreements with the two unions representing our staff employees and our outside crews expired December 31, 1982 and January 31, 1983, respectively. Separate negotiations with both union groups started late in the year and will continue into 1983.

Six long term employees retired during the year and our special thanks go out to each of them for their many years of valued service to the Company.



Financial Report

REVENUE AND EARNINGS

Earnings were \$3.0 million in 1982, up from \$1.6 million in 1981, reflecting a return to more appropriate levels with the recent resolution of a number of unusual difficulties faced by the Company in the past several years. The rate of return on average common shareholders' equity for the year was 18.2%, up from 12.0% in 1981.

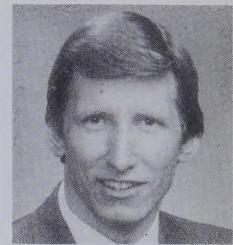
Revenue in the year reflected a number of increases in the rates the Company is permitted to charge under its tariff filed with the British Columbia Utilities Commission. Effective January 1, 1982, the Commission granted an interim increase of 13.5%, and an additional increase of approximately 12% as requested by the Company to offset the significant increase in water fees levied by the Provincial Government. A further 1.2% rate increase was authorized by the Commission effective September 1, 1982, and the four previously granted interim increases were confirmed as permanent. On energy sales of 1,938 million kilowatt-hours, the Company realized operating revenues of \$51.6 million, up 36.5% from 1981.

A most significant change in the Company's 1982 expenses was the 242% increase in the Provincial Government tax for water used in power generation. Direct water fee costs increased from \$1.5 million in 1981 to \$5.3 million in 1982. This increased tax is also the major reason for the increased cost of power purchases from \$4.6 million in 1981 to \$9.1 million in 1982.

Rental of facilities, which reflected a minor reduction from 1981, includes \$3.3 million for the use of three of Cominco Ltd.'s hydro plants. This rental ceased on December 15, 1982 with the purchase of the plants by the Company on that date.

Property taxes increased by 23% to \$3.8 million following implementation of changes by the Provincial Assessment Authority which resulted in a higher relative assessed value for property owned by utilities.

J. S. Brook
Vice-President, Finance



Interest expense was \$6.9 million in 1982, down from \$7.5 million in 1981. The increase in total debt outstanding to \$50.6 million at the end of 1982 from \$47.7 million at the end of 1981 was more than offset by the decline in the average interest rates paid on the Company's bank loans.

Total salaries and wages paid to Company employees in 1982 amounted to \$12.0 million, an increase of \$1.2 million from the 1981 level of \$10.8 million. Since the major portion of new plant is constructed by Company employees and charged to capital accounts, a large portion of the payroll is not reflected in the earnings statement.

ASSETS

Total assets increased during 1982 to \$111.5 million from \$82.6 million at the end of 1981.

The Company made a major purchase of three hydro generating plants from Cominco Ltd. effective December 15, 1982. These three plants had previously been used and operated by the Company under agreement with Cominco Ltd. Settlement of the \$20 million purchase price was made by the issue of 200,000 \$100 par value common shares.

The curtailment of the Company's planned capital expenditure program resulted in reduced expenditures during 1982 of \$9.2 million compared to \$11.8 million in the previous year. A further \$1.3 million in capital expenditures was financed by customer contributions during 1982, compared to \$2.0 million in 1981.

Unbilled revenue increased during the year due primarily to higher rates and to the longer billing cycle resulting from a change from a monthly to a bi-monthly system of billing for the residential and small general service customers. Despite the cost of financing the increase in current assets resulting from the conversion to bi-monthly billing, the change will produce significant overall cost savings.

REGULATION

The British Columbia Utilities Commission issued a major decision on August 25, 1982 regarding the Company's rates. The presence of several significant unresolved issues involving the Company had resulted in the qualification of rate relief granted since 1979 as being interim and potentially refundable. The interim increases served to offset much of the cost increases faced by the Company since 1979 and were confirmed as permanent in the Commission's decision, and a further firm increase of 1.2% was approved effective September 1, 1982.

On the separate issue of the increase in provincial water fees, the Commission approved the Company's application for an offsetting increase in the Company's rates to provide relief on a pass-through basis, effective January 1, 1982.

FINANCING

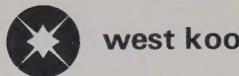
Shareholders' equity increased \$21.4 million to \$36.0 million during the year. The issue of 200,000 \$100 par value common shares in settlement of the price for the three hydro plants purchased from Cominco Ltd. accounted for \$20 million of this increase. Retained earnings increased \$1.4 million to \$9.4 million, accounting for the balance. The Company's higher earnings and improved general financial situation permitted a return to a policy of regular common share dividends. Dividends of \$1.6 million were paid on the common shares in 1982 providing a yield of 9.5% on average common share equity. The regular 7% preferred share dividend of \$35,000 was also paid during the year.

Funds from operations, after providing for dividends to shareholders, amounted to \$5.3 million in 1982. These funds plus a further \$4.9 million obtained by term bank loan were required to finance the Company's expenditures on fixed assets (other than the \$20 million purchase of power plants financed through the

issue of common shares) of \$9.2 million and to provide for a required increase in working capital.

With the Company's outstanding refundable interim increases confirmed as permanent and with the increase in shareholders' equity, it was possible for the Company to undertake the refinancing of its bank borrowings. An offering of a total of \$35 million in long term debt securities commenced in early January, 1983. The offering is being made to financial institutions by private placement, and includes a \$10 million issue of five year senior debentures, a \$10 million issue of fifteen year senior debentures, and a \$15 million issue of fifteen year subordinated debentures. Proceeds of the issue will be used to reduce the Company's outstanding bank loans.

The Company's bank loan arrangements extend to January, 1985 and provide for a maximum term loan of \$52 million, of which \$41.1 million was utilized at December 31, 1982, and a revolving loan of \$6 million. During 1982, first mortgage bonds in the amount of \$77,000 were purchased for sinking fund purposes.



Management's Statement on Financial Reporting

The accompanying financial statements of West Kootenay Power and Light Company, Limited have been prepared in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. The statements and all of the information contained in the Annual Report are the responsibility of Management and are approved by the Board of Directors of the Company. Financial and operating information appearing in the body of the Annual Report is consistent with that contained in the financial statements.

The financial statements of West Kootenay Power and Light Company, Limited are examined by the Company's external auditors, Thorne Riddell, and their report is included herein.

Auditors' Report

**To the Shareholders of
West Kootenay Power and Light Company, Limited**

We have examined the consolidated balance sheet of West Kootenay Power and Light Company, Limited as at December 31, 1982 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, Canada
January 28, 1983

Thorne Riddell
Chartered Accountants

Consolidated Statement of Earnings

Year Ended December 31, 1982

	<u>1982</u>	<u>1981</u>
	(thousands)	
OPERATING REVENUE	<u>\$51,598</u>	<u>\$37,800</u>
EXPENSES		
Power purchases	9,068	4,618
Rental of facilities	5,180	5,245
Operating expenses	13,034	10,888
Property taxes	3,804	3,082
Water fees	5,310	1,551
Depreciation	<u>2,740</u>	<u>2,410</u>
	<u>39,136</u>	<u>27,794</u>
EARNINGS FROM OPERATIONS	<u>12,462</u>	10,006
OTHER INCOME		
Operation of Cominco facilities	326	333
Rentals and sundry income	183	260
Allowance for funds used during construction	<u>251</u>	<u>136</u>
	<u>13,222</u>	<u>10,735</u>
INTEREST EXPENSE		
Interest on long-term debt	6,213	6,806
Other interest	809	758
Amortization of gain on bond redemption	<u>(90)</u>	<u>(78)</u>
	<u>6,932</u>	<u>7,486</u>
EARNINGS BEFORE INCOME TAXES	<u>6,290</u>	3,249
INCOME TAXES	<u>3,270</u>	<u>1,615</u>
NET EARNINGS	<u>\$ 3,020</u>	<u>\$ 1,634</u>
RETURN ON COMMON SHARE EQUITY	<u>18.2%</u>	<u>12.0%</u>

**Consolidated Statement of Retained Earnings**

Year Ended December 31, 1982

	<u>1982</u>	<u>1981</u>
	(thousands)	
RETAINED EARNINGS AT BEGINNING OF YEAR	<u>\$7,975</u>	\$6,376
Net earnings	<u>3,020</u>	1,634
	<u>10,995</u>	<u>8,010</u>
Dividends		
Preferred shares	35	35
Common shares	<u>1,566</u>	—
	<u>1,601</u>	<u>35</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$9,394</u>	<u>\$7,975</u>

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1982

	<u>1982</u>	<u>1981</u>
	(thousands)	
FUNDS DERIVED FROM		
Operations		
Net earnings	<u>\$3,020</u>	\$1,634
Items not involving working capital		
Amortization of deferred gains	<u>(180)</u>	(237)
Deferred income taxes	<u>1,279</u>	1,518
Depreciation	<u>2,740</u>	2,410
	<u>6,859</u>	<u>5,325</u>
Issuance of common shares (note 6)	<u>20,000</u>	—
Sale of fixed assets	—	1,019
Term bank loan	<u>4,900</u>	4,000
	<u>\$31,759</u>	<u>\$10,344</u>
FUNDS APPLIED TO		
Net expenditures on fixed assets	<u>\$29,246</u>	\$11,762
Dividends	<u>1,601</u>	35
Bond redemption	<u>77</u>	345
Increase (decrease) in working capital	<u>835</u>	(1,798)
	<u>\$31,759</u>	<u>\$10,344</u>

Consolidated Balance Sheet

As at December 31, 1982

	1982	1981
	(thousands)	
ASSETS		
CURRENT ASSETS		
Accounts receivable	\$ 4,173	\$ 4,061
Unbilled revenue	3,526	1,437
Stores and operating supplies	3,258	3,611
Prepaid expenses and other assets	997	1,496
	11,954	10,605
FIXED ASSETS		
Property, buildings and equipment	131,914	101,752
Less - Accumulated depreciation	32,330	29,718
	99,584	72,034
	\$111,538	\$82,639
LIABILITIES		
CURRENT LIABILITIES		
Revolving bank loan	\$ 4,100	\$ 6,000
Accounts payable and accrued liabilities	4,962	4,906
Income taxes payable	2,107	410
Due to parent company	1,053	389
Accrued interest on long-term debt	130	133
	12,352	11,838
LONG-TERM DEBT (note 2)		
First mortgage bonds	5,437	5,514
Term bank loan	41,100	36,200
	46,537	41,714
DEFERRED CREDITS		
Contributions in aid of construction	8,641	7,597
Deferred income taxes	7,498	6,219
Deferred gains	504	684
	16,643	14,500
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 3)	26,612	6,612
RETAINED EARNINGS	9,394	7,975
	36,006	14,587
	\$111,538	\$82,639
Commitments (note 5)		
Subsequent event (note 7)		

Approved by the Board

 J. M. Brennan

Director

 R. G. Stewart

Director



Notes to Consolidated Financial Statements

Year Ended December 31, 1982

1. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements include the accounts of the company and its wholly-owned inactive subsidiaries, Cascade Water, Power and Light Company, Limited, Okanagan Water-Power Company and South Kootenay Water-Power Company. The companies are regulated utilities and their accounting records and practices conform to the requirements of the British Columbia Utilities Commission. A description of significant accounting policies follows:

UNBILLED REVENUE

Revenue includes an accrual for power consumed by customers which was not billed until after the year.

PREPAID EXPENSES AND OTHER ASSETS

The cost of certain public hearings is carried on the balance sheet until written off over a period related to the subject matter of the hearings. During the year, \$730,000 was charged against earnings.

FIXED ASSETS

Property, buildings and equipment are recorded at cost including allowance on funds used during construction. The cost of depreciable assets retired together with removal costs less salvage is charged to accumulated depreciation. Gains or losses on disposal are not taken into income unless the disposal is outside the normal course of business or involves a major item of plant.

The company provides for depreciation on a straight-line basis calculated on the investment in

depreciable assets in service at the beginning of the year. Rates are designed to amortize the cost of the assets over their estimated service life. The application of these rates for the year ended December 31, 1982 results in a composite rate of 3.0%.

CONTRIBUTIONS IN AID OF CONSTRUCTION

Certain additions to utility plant are made with the assistance of contributions from customers and others. Such amounts are reflected on the balance sheet as contributions in aid of construction and are being amortized over the estimated service lives of the related assets by an offset against the provision for depreciation.

DEFERRED GAINS

In meeting its sinking fund requirements, the company has been able to purchase mortgage bonds at prices which are less than the principal amounts. These gains are being amortized over the remaining term to maturity. The unamortized amount is shown on the balance sheet as a deferred credit.

A gain of \$432,500 on the sale of the former corporate head office property in 1981 is being recognized as income over a period of five years as ordered by the British Columbia Utilities Commission.

RETURN ON COMMON SHARE EQUITY

The return on common share equity has been calculated by dividing net earnings less preferred dividends paid, by the weighted average common share equity during the year.

2. LONG-TERM DEBT

First mortgage bonds bear interest at 5¾% per annum and mature on February 1, 1985.

The term bank loan is part of a line of credit with a maximum of \$52,000,000 and is repayable in 1985. Interest is at ¼% above the prime rate of the bank.

3. SHARE CAPITAL

AUTHORIZED

5,000 7% cumulative preferred shares, par value \$100 each
345,000 common shares, par value \$100 each

ISSUED	<u>1982</u>	<u>1981</u>
(thousands)		
5,000 preferred shares	\$ 500	\$ 500
261,120 common shares (1981 - 61,120 shares)	<u>26,112</u>	<u>6,112</u>
	<u>\$26,612</u>	<u>\$6,612</u>

4. PENSIONS

The company maintains retirement income plans for its employees. The unfunded liability for past service benefits under these plans is estimated at \$3,585,000 at December 31, 1982, of which \$1,635,000 relates to vested benefits. This liability is being funded and charged to earnings over periods of up to 15 years. Contributions to the plans during the year were \$1,000,000 (1981 - \$1,033,000).

5. COMMITMENTS

LONG-TERM LEASE

The company is renting corporate office facilities

under an operating lease having an initial five year term, with a renewable five year option extending to 1990. The annual rental cost is \$191,000 during the initial term.

6. RELATED PARTY TRANSACTIONS

The company is a subsidiary of Cominco Ltd., and manages Cominco's hydro-electric system and is reimbursed for all direct costs plus a management fee of 7.5%. Significant transactions with the parent company consist of power purchases of \$7,048,000 (1981 - \$4,090,000) and payments for the use of three hydro-electric plants and transmission facilities of \$3,524,000 (1981 - \$3,661,000).

On December 15, 1982, the company purchased from Cominco Ltd. three hydro-electric plants and related transmission facilities which had previously been leased. The purchase price of \$20,000,000 was financed through the issuance of 200,000 common shares to Cominco Ltd. This transaction has been approved by the British Columbia Utilities Commission.

7. SUBSEQUENT EVENT

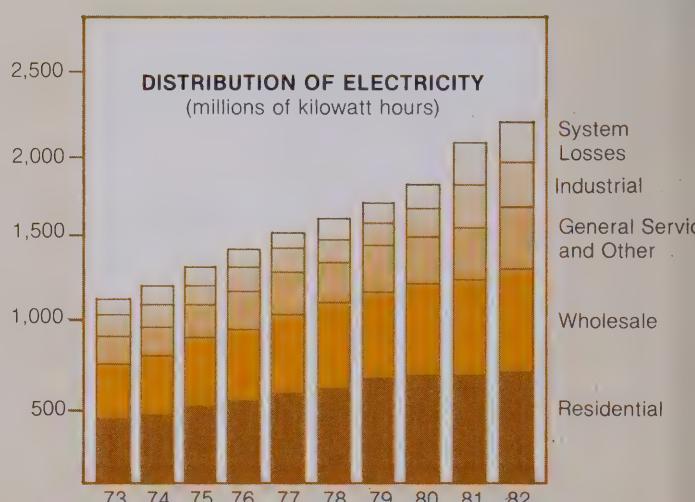
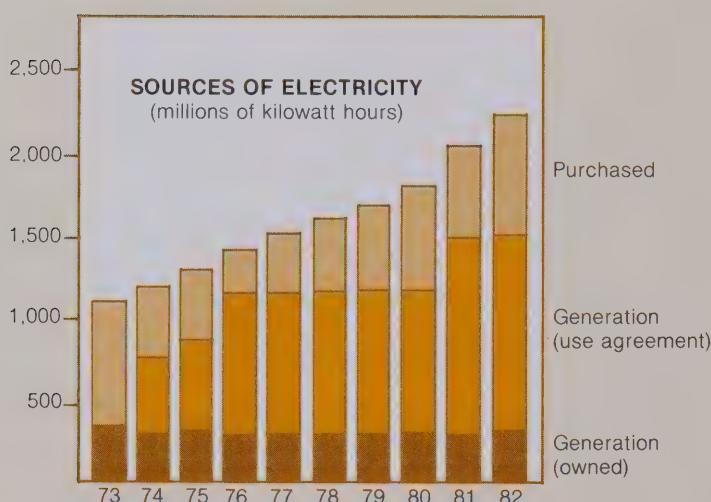
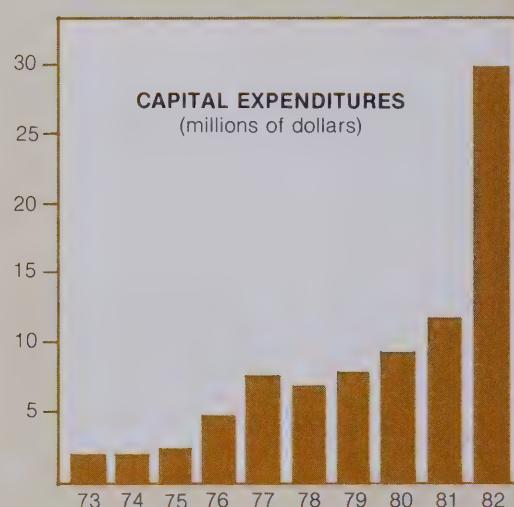
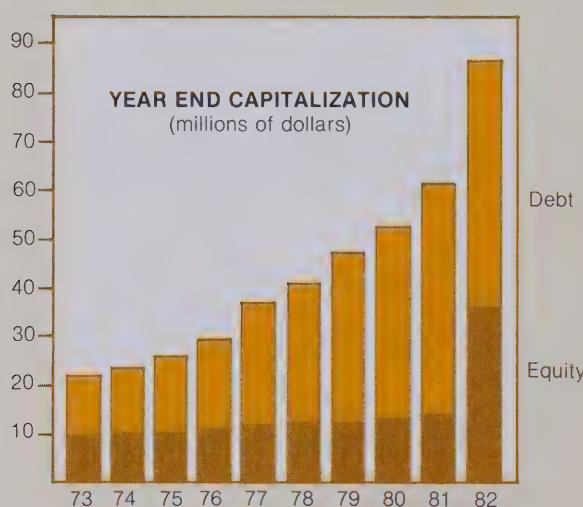
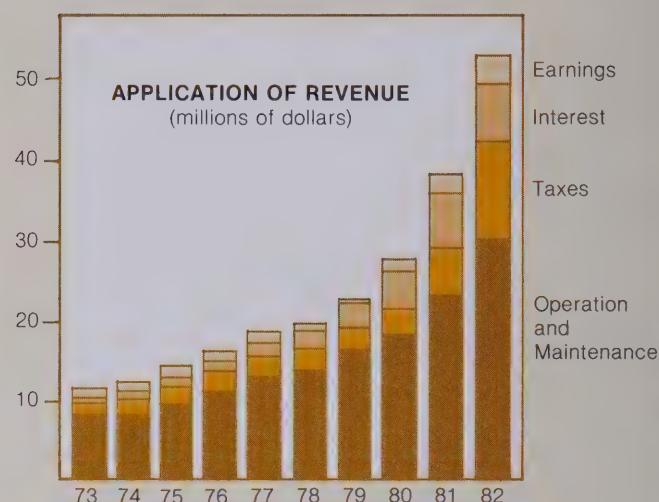
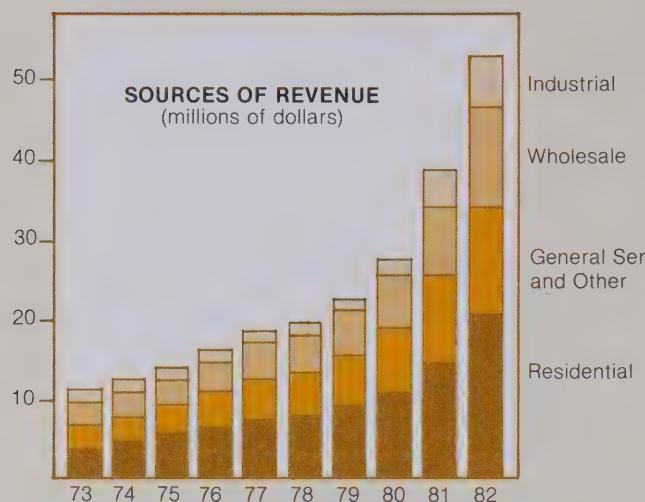
The company issued a Private Placement Memorandum in early January, 1983 offering a total of \$35 million in fixed rate long-term debt to institutional investors. This financing is expected to be completed in March, 1983 and the proceeds will be used to reduce the company's outstanding bank borrowings.

8. COMPARATIVE FIGURES

Certain 1981 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1982.



Ten Year Summary



FINANCIAL* Earnings	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973
Operating Revenue	\$51,598	\$37,800	\$27,134	\$22,188	\$19,458	\$18,460	\$16,013	\$13,884	\$12,246	\$11,611
Expenses										
Power Purchases	9,068	4,618	4,564	4,073	3,458	2,951	2,276	2,945	2,922	4,932
Rental of Facilities	5,180	5,245	4,460	4,232	3,674	3,485	3,435	2,338	1,978	286
Operating Expenses	13,034	10,888	7,489	6,224	5,307	4,962	3,923	2,935	2,244	1,724
Property Taxes	3,804	3,082	1,950	1,828	1,610	1,180	1,133	907	741	531
Water Fees	5,310	1,551	368	368	367	366	373	259	105	44
Depreciation	2,740	2,410	2,085	2,102	1,689	1,621	1,489	1,330	1,226	1,255
	39,136	27,794	20,916	18,827	16,105	14,565	12,629	10,714	9,216	8,772
Earnings from Operations	12,462	10,006	6,218	3,361	3,353	3,895	3,384	3,170	3,030	2,839
Other Income	760	729	758	573	341	257	255	177	153	26
Interest Expense	6,932	7,486	5,022	3,695	2,476	1,905	1,576	1,079	918	714
Income Taxes	3,270	1,615	981	96	595	1,114	1,078	1,132	1,125	1,087
Net Earnings	\$ 3,020	\$ 1,634	\$ 973	\$ 143	\$ 623	\$ 1,133	\$ 985	\$ 1,136	\$ 1,140	\$ 1,064
Return on Common Share Equity	18.2%	12.0%	7.8%	.9%	5.2%	9.9%	8.9%	10.7%	11.2%	10.9%
Changes in Financial Position										
Funds Derived From:										
Operations	\$ 6,859	\$ 5,325	\$ 3,926	\$ 2,758	\$ 3,011	\$ 3,188	\$ 2,956	\$ 2,656	\$ 2,298	\$ 2,354
Sale of Fixed Assets		1,019	-	-	-	-	-	-	-	-
Issuance of Common Shares	20,000	-	-	-	-	-	-	-	-	-
Term Bank Loan	4,900	4,000	5,800	4,200	3,900	7,300	3,000	8,000	1,850	950
	\$31,759	\$10,344	\$ 9,726	\$ 6,958	\$ 6,911	\$10,488	\$ 5,956	\$10,656	\$ 4,148	\$ 3,304
Funds Applied To:										
Plant and Equipment (net)	\$29,246	\$11,762	\$ 9,105	\$ 7,888	\$ 5,806	\$ 6,887	\$ 7,543	\$ 4,752	\$ 2,396	\$ 1,981
Working Capital	835	(1,798)	344	(1,132)	402	2,762	(2,465)	(1,005)	657	377
Repayment of Debt	77	345	242	167	209	193	232	6,202	388	208
Dividends - Preferred Shares	35	35	35	35	35	35	35	35	35	35
- Common Shares	1,566	-	-	-	459	611	611	672	672	703
	\$31,759	\$10,344	\$ 9,726	\$ 6,958	\$ 6,911	\$10,488	\$ 5,956	\$10,656	\$ 4,148	\$ 3,304
Capitalization										
First Mortgage Bonds	\$ 5,437	\$ 5,514	\$ 5,954	\$ 6,248	\$ 6,458	\$ 6,725	\$ 6,957	\$ 7,250	\$ 7,252	\$ 7,750
Bank Loans - Term	41,100	36,200	32,200	26,400	22,200	18,300	11,000	8,000	6,200	4,350
- Revolving	4,100	6,000	3,000	3,000	900	1,000	2,000	1,200	-	-
Preferred Shares	50,637	47,714	41,154	35,648	29,558	26,025	19,957	16,450	13,452	12,100
Common Shares	500	500	500	500	500	500	500	500	500	500
Retained Earnings	26,112	6,112	6,112	6,112	6,112	6,112	6,112	6,112	6,112	6,112
	9,394	7,975	6,376	5,438	5,330	5,201	4,714	4,375	3,946	3,513
	\$86,643	\$62,301	\$54,142	\$47,698	\$41,500	\$37,838	\$31,283	\$27,437	\$24,010	\$22,225
STATISTICAL										
Sources of Electricity (millions of KWh)										
Generation - owned	371	322	332	329	326	322	319	341	331	350
- use agreement	1,137	1,188	851	847	848	847	849	534	427	-
Purchases	690	571	641	552	448	378	264	446	438	779
	2,198	2,081	1,824	1,728	1,622	1,547	1,432	1,321	1,196	1,129
Distribution of Electricity										
Sales (millions of KWh)										
Residential	712	671	643	620	580	542	497	470	399	371
Wholesale	633	608	574	550	523	498	450	412	372	351
Industrial	268	245	172	123	133	137	131	121	142	154
General Service & Other	325	314	300	291	254	249	222	208	183	168
System Losses	1,938	1,838	1,689	1,584	1,490	1,426	1,300	1,211	1,096	1,044
	260	243	135	144	132	121	132	110	100	85
	2,198	2,081	1,824	1,728	1,622	1,547	1,432	1,321	1,196	1,129
Customers										
Direct	59,100	57,100	54,900	51,700	49,900	48,000	46,500	44,000	42,200	39,200
Indirect**	35,500	34,800	33,700	32,400	24,700	23,600	23,500	23,000	22,100	21,400
	94,600	91,900	88,600	84,100	74,600	71,600	70,000	67,000	64,300	60,600

*Financial results are shown in thousands of dollars, excepting "Return on Common Share Equity".

Certain comparative figures have been restated to conform to current presentation
and to give retroactive effect to certain changes in accounting principles.

**Indirect customer count prior to 1979 does not include figures for the City of Nelson.



Directors



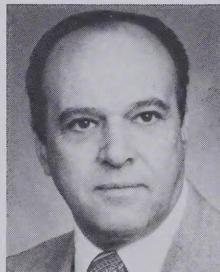
J. A. Drennan*
President and Chief
Executive Officer
West Kootenay Power
and Light Company,
Limited, Trail



K. A. Kenyon**
President
Kenyon Construction
Co. Ltd.
Penticton



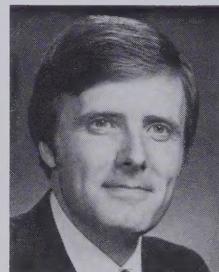
A. V. Marcolin*
President
Electronic Materials
Division, Cominco Ltd.
Trail



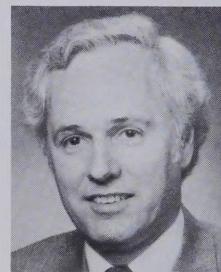
Dr. J. Stefanelli
Physician and Surgeon
Christina Lake



R. Stewart**
Orchardist, Kelowna



R. R. Stone **
Vice-President, Finance
Cominco Ltd., Vancouver



W. G. Wilson*
President
Cominco Ltd., Vancouver

*Member of the Executive Committee
**Member of the Audit Committee

Officers

J. A. Drennan, P. Eng.
President and Chief Executive Officer

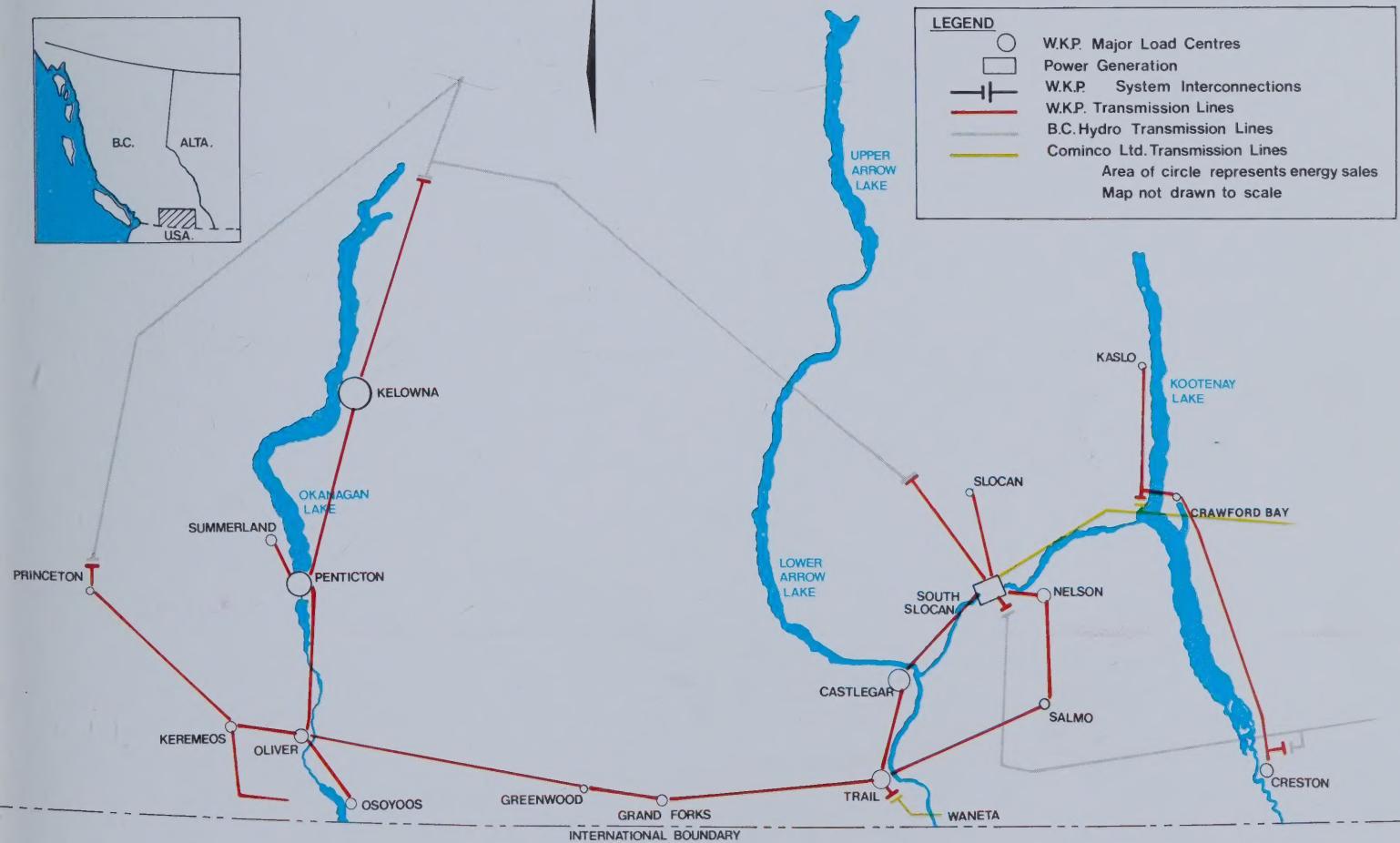
G. K. Harper, C.A.
Assistant to the President and Secretary

J. S. McKay, P. Eng.
Senior Vice-President, Operations

J. W. M. Wilson, L.L.B.
Assistant Secretary

J. S. Brook, C.A.
Vice-President, Finance

System Map



serving the southern interior of B.C. for 86 years

